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Letter No. 2248

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SUMMARY OF
1987 BUDGET

The overall budget for the U.S. Department of Agriculture for the fiscal year 1987 calls for a program level of \$65.5 billion and Federal outlays of \$44.6 billion. This is a reduction from the current estimate for fiscal year 1986 of over \$8.6 billion - or 12 pct. - in program level and \$9.6 billion - or 18 pct. - in terms of cash outlays. The USDA will continue to place greatest emphasis on agricultural research, foreign market development for agricultural commodities and products, farm credit assistance and price stabilization of basic agricultural commodities, protection of our nation's crops and livestock from infestation of pests and diseases, and long term protection from erosion for the most seriously eroding lands through a new conservation reserve program.

RESEARCH AND
EDUCATION
PROGRAMS

The budget for U.S. Department of Agriculture's Research and Education Programs is \$912 million. There will be additional emphasis on germplasm collection and on development of new uses for surplus agricultural commodities. However, significant reductions are proposed in other programs, particularly the Extension Service. It is intended that the limited Federal funding be targeted to highest priority needs such as assistance to farmers in financial stress.

COMMODITY
PROGRAMS

In the 1987 budget of the U.S. Department of Agriculture, spending for Commodity Programs is projected at over \$16 billion. The budget includes sufficient funding to carry out the new farm bill for crop years 1987 and beyond. The decline of \$4.2 billion from 1986 to 1987 is principally due to lower loan rates authorized by the new farm bill, and because the advance deficiency payments are included for the 1986 crop. The recently enacted Farm Bill is expected to cost about \$54 billion over three years, 1986-1988, based on the Dec. crop outlook. The Commodity Credit Corp. is in urgent need of additional capital to meet program payment requirements. The budget includes proposals to meet this need.

INTERNATIONAL
PROGRAMS

According to the 1987 budget of the U.S. Department of Agriculture, program levels for International Programs for 1987 will decrease by \$2.5 billion from the 1986 level, principally due to the proposed reduction of export credit loan guarantees. Export credit guarantees will be maintained at \$5 billion in 1986. For 1987, legislation will be submitted for a 5 pct. origination fee to be charged in connection with export credit guarantees and to reduce the mandated level of export credit guarantees from \$5 billion to \$3 billion. P.L. 480 will be programmed at \$1.5 billion in 1987...providing for the shipment of about 7.2 million metric tons of commodities.

SOIL & WATER CONSERVATION PROGRAMS

The Soil and Water Conservation Programs of the U.S. Department of Agriculture will undergo a significant change in emphasis beginning this year. Implementation of the new Acreage Conservation Reserve program will have first priority. Existing financial assistance and cost share programs in the Soil Conservation Service and the Agricultural Stabilization and Conservation Service will be discontinued. Available funds will be used primarily for technical assistance in support of the new Acreage Conservation Reserve program, which will be offered for about 5 million acres in 1986 and 10 million in 1987. The Commodity Credit Corporation budget includes \$190 million in 1986 and \$550 million in 1987 to begin this program.

FOREST SERVICE

The 1987 budget for the Forest Service of the U.S. Department of Agriculture reduces funding for research, State and private forestry, reforestation, fire protection and recreation. For 1987, legislation is proposed to limit payments to States who now receive a share of gross Forest Service timber receipts to a net figure after the costs of producing timber sales are taken into account. This would reduce payments to States from \$218 million in 1986 to \$85 million in 1987. The budget also includes \$5 million for first year implementation costs in connection with a proposal to exchange land between the Forest Service and the Bureau of Land Management.

SMALL COMMUNITY & RURAL DEVELOPMENT

The program levels for Small Community and Rural Development in the 1987 U.S. Department of Agriculture budget would be reduced by \$4.7 billion as a result of proposals to terminate, phase out or transfer programs to other agencies. The funding for Farmers Home Administration farm operating credit will be increased from \$3.2 billion in 1986 to \$4 billion in 1987. The 1987 program will consist of \$2.5 billion in loan guarantees and \$1.5 billion in direct Federal loans. The Housing and Community Development Programs of the FmHA will be terminated. In the future, housing assistance for rural areas will be obtained through the Dept. of Housing and Urban Development. Beginning in 1987, FmHA will begin a pilot test of sales of its outstanding portfolio of loans. Rural Electrification and Telephone Programs will be phased out by 1990 and will be reduced from \$2 billion in 1986 to \$800 million in 1987. Expansion of the Federal Crop Insurance Program will continue but legislation will be proposed for a five year phase-out of federal subsidies for administrative expenses and premiums which are presently provided to that program.

FOOD ASSISTANCE PROGRAMS

The 1987 budget of the U.S. Department of Agriculture for Food Assistance Programs is proposed at \$18.3 billion, about \$384 million less than the current estimate for 1986. The budget for the Food Stamp Program is \$11.7 billion. The proposed funding level for the Child Nutrition Programs is \$3.8 billion, a reduction of \$395 million below the 1986 current estimate. The 1987 funding for Women, Infants and Children Program is \$1.6 billion.

FROM OUR
TELEVISION
SERVICE

1986 FARM PROGRAMS...Local offices of USDA's Agricultural Stabilization and Conservation Service will be conducting sign up for producers wanting to participate in 1986 farm programs. USDA economist Keith Collins reviews some of the farm program provisions. Vic Powell interviews. (116)

PAYMENT-IN-KIND CERTIFICATES...USDA's Commodity Credit Corporation will issue certificates instead of cash to producers participating in its programs. USDA economist Keith Collins focuses on the Payment-in-Kind program and how it will work. Vic Powell interviews. (117)

AGRICULTURAL FINANCE...The financial well-being of the U.S. farm sector continued to decline in 1985, but there are some signs the situation may stabilize in 1986. USDA economist Ron Meekhof describes the current farm financial situation. DeBoria Janifer interviews. (118)

WIND EROSION UPDATE...Wind erosion has been down sharply in the Great Plains - damaging just over a million acres of land the last two months of 1985. Keith Schumde with USDA's Soil Conservation Service talks about factors contributing to this situation. DeBoria Janifer interviews. (119)

SURVIVAL ON THE FAMILY FARM...In recent studies of farm families, two different strategies have been identified that affect survivability. Sonya Salamon, University of Illinois, takes a look at the role family goals can play in the survival of the farm. Gary Beaumont interviews. (120)



FROM OUR RADIO
SERVICE

AGRICULTURE USA #1497...(Weekly 13½ min documentary) The current Federal deficit is somewhere in the range of \$212 billion. So, in order to decrease the deficit to zero by 1991 Congress has enacted the Gramm-Rudman-Hollings Deficit Reduction Act. It reduced Federal spending by 4.3 percent right now, but all that could change and the cuts could be as much as 20 percent next year. Department of Agriculture Budget Director Steve Dewhurst explains the effect Gramm-Rudman has on the making of the 1987 budget.

AGRITAPE/FARM PROGRAM REPORT #1486...(Weekly reel of news features) USDA news highlights; Gramm-Rudman reduces spending; Farmers' programs stay for now; Deficiency payments on upland cotton; Farm price support programs and the budget.

CONSUMER TIME #979...(Weekly reel of 2½-3 min features) Budget cuts; Car lease provisions; Southern manufacturing: Trouble ahead?; Obesity and heredity; Mid-life mix-up.

USDA RADIO NEWS SERVICE...Fri, Feb. 14, Milk production report; Tues, Feb. 18, Prospective plantings; Wed, Feb. 19, Crop values report; Thurs, Feb. 20, Catfish report; Fri, Feb. 21, Farm labor report. Dial the USDA National News Line 202-488-8358 or 8359. All material changed at 5 p.m. EST each working day.

MARKETING AND
INSPECTION SERVICE
PROGRAMS

The program level of Marketing and Inspection Service programs in the 1987 budget of the U.S. Department of Agriculture is estimated at \$832 million, a reduction of \$24 million below the 1986 level. Federal funding for Animal and Plant Health Inspection Service will be reduced by about \$50 million. User fees will be established for agriculture quarantine inspection, import-export licensing and inspection, veterinary biologics and veterinary diagnostics services. Federal funding for meat and poultry inspection will be shifted to user fees beginning in 1987. Funding for market news and most other marketing service programs will be shifted to user fees in 1987. User fees will be established or expanded for federal grain inspection, packers and stockyards activities and services provided to agricultural cooperatives.

FARM INPUT USE
TO DECLINE

Prices for manufactured farm inputs will be generally lower in 1986, but input use is likely to decline as farmers plant fewer acres due to expected heavy participation in commodity programs, according to the U.S. Department of Agriculture. Nitrogen and phosphate prices could be down 5 pct. this spring, with potash prices down 10 pct. Pesticide prices quoted by manufacturers for the 1986 crop season are virtually unchanged from a year earlier. Sales incentives and reduced interest rates have lowered the cost of purchasing new farm machinery, but farmers will still buy less new and used equipment than a year earlier because of continuing financial difficulties. Farm fuel prices may be lower in 1986 with increased oil production resulting in falling oil prices.

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